

TUITION

BACKGROUND

BOARD'S STRATEGIC PLAN

The Board of Regents Strategic Plan identifies the following four key result areas: quality, access, diversity, and accountability. The Board's tuition policy (including rate setting for mandatory fees) reflects aspects of all of these areas.

The Board challenges its institutions to be the best enterprise of public education in the United States through unique teaching, research, and outreach programs and supports its institutions in this endeavor by:

- Continuing its long-standing practice of seeking state appropriations annually at a level at least three percentage points above growth in the Higher Education Price Index (HEPI);
- Establishing tuition and fees annually to not only keep pace with HEPI but support aspirations for excellence;
- Encouraging the institutions to increase funding from private sources and external research grants and contracts;
- Seeking appropriate funding for capital improvements needs;
- Requiring the institutions to reallocate an average of two percent general funds annually; and
- Promoting broad access for Iowa residents to the Regent institutions.

The institutions, through strategic planning, target resources effectively and efficiently and measure results using performance indicators.

REGENT TUITION POLICY

Iowa law requires the Board to have a policy for the establishment of tuition rates that provides some predictability for assessing and anticipating changes. Consistent with this requirement, the Board's tuition policy provides as follows:

Resident undergraduate tuition at the Regent universities shall be set annually to keep pace with the Higher Education Price Index and to provide support to finance university programs at levels sufficient to implement the Board's aspirations for excellence as outlined in the Board's strategic plan.

The annual establishment of tuition and fees provides the universities with an important component of overall educational resources - the component that shares the cost of higher education with the students.

The mission of the Board of Regents calls for its institutions "to become the best enterprise of public education in the United States through the unique teaching, research and outreach programs established for each university and school."

In December of 1997, the Board adopted a tuition policy consistent with its mission and strategic plan. The policy assures predictability in establishing rates, but also provides the Board with some flexibility.

The Board's tuition policy is intended to maintain quality and effectiveness as well as improve quality, thereby recognizing the aspirations of the Board and the institutions for achieving excellence. Critical to the successful implementation of the Board's strategic plan is securing sufficient resources.

INFLATION INDICATOR: HIGHER EDUCATION PRICE INDEX

Inflation is generally discussed using price indexes that are utilized to preserve purchasing power by measuring how the rate of inflation affects buyers (comparing increases in prices for the same goods and services). Price indexes, such as the Consumer Price Index, have been widely used by economists for many years to measure the purchasing power of consumer goods.

Consumer-based indexes, such as the Consumer Price Index, are limited in what they measure and therefore often are not appropriate to measure the substantially different mix of goods and services purchased by distinct economic sectors or commercial enterprises.

Specialized sector indexes have been developed to measure more accurately the effects of inflation on enterprises that purchase goods and services which are significantly different than those purchased by consumers.

The education sector has long utilized specialized indexes – for elementary and secondary schools as well as colleges and universities.

The U.S. Department of Education published the first Higher Education Price Index (HEPI) in 1975 to quantify the effects of inflation on the operations of colleges and universities. A similar index, the School Price Index, was later developed to measure the effects on inflation on elementary and secondary schools. The U.S. Department of Education no longer calculates and publishes HEPI. Rather, Research Associates of Washington, a private research organization, prepared and published HEPI in a publication entitled **Inflation Measures for Schools, Colleges, and Libraries**. The publication reports distinctive education price information for school and college current operations, university sponsored research, academic and public library operation, tuition pricing, building construction, and capital equipment. Research Associates of Washington based HEPI calculations on information compiled from data collected by other agencies.

HEPI measures "the average relative level in the prices of a fixed market basket of goods and services purchased by colleges and universities through current fund educational and general expenditures excluding expenditures for research," as defined by Research Associates of Washington.

HEPI is based upon the prices of over 100 items purchased for current operations by colleges and universities in the following categories:

- Professional personnel (faculty, graduate assistants, extension/public service, administrative/institutional service, and library);
- Nonprofessional personnel (technicians, craftsmen, clerical, students, services, operators, and laborers);
- Services (data processing, communication, transportation, print/duplication, and miscellaneous);
- Supplies, equipment, and library acquisitions; and
- Utilities.

The prices for these items are obtained from various surveys conducted by the American Association of University Professors, the College and University Personnel Association, and the Bureau of Labor Statistics, as well as from components of the Consumer Price Index (CPI) and Producer Price Index (PPI). HEPI thus reflects national average prices for state-of-the-art services and average quality goods purchased by colleges and universities, as price is highly dependent on quality.

HEPI categories are weighted based upon their relative importance to educational and general budgets. HEPI is divided into personnel compensation and contracted services, supplies, and equipment. Personnel compensation is further weighted for professional salaries, nonprofessional wages and salaries, and fringe benefits. Contracted services, supplies, and equipment is further weighted according to utilities, services, supplies and materials, equipment, and library acquisitions.

Since the Board determines tuition increases well in advance of the actual expenditure of funds, the Board utilizes HEPI projections. These are based on analyses prepared by the Institute for Economic Research at the University of Iowa.

Each year the Institute for Economic Research at the University of Iowa provides the Board Office with a forecast of the HEPI inflation rate for the fiscal year corresponding to the year that the Board of Regents sets tuition rates. In the forecasting of HEPI, the Institute uses historical HEPI data prepared by Research Associates of Washington, the Blue Chip forecast of CPI, historical CPI published by the Bureau of Labor Statistics, and correlations among these. The Institute provides a range for HEPI that is then used by the Board Office as a basis for recommendation to the Board concerning tuition.

FOCUS ON EXCELLENCE: QUALITY COMPONENT

The Board of Regents is committed to improving quality and pursuing excellence. To achieve desired quality and excellence as outlined in the Board and institutional strategic plans, it is necessary for the Board to assure that the funding base is diverse and consistent with the Board's aspirations of becoming the best public education enterprise in the United States.

The Regent universities provide teaching, research, and services for more than 67,000 students and nearly 3 million Iowans. The impact of a four-year degree on lifetime earnings is substantial.

In May 1996, the Board of Regents approved a five-year program of reallocations averaging 2% per year as one means to support strategic planning initiatives to improve quality and pursue excellence.

These reallocations have been utilized by the institutions to provide greater efficiency and effectiveness toward achievement of the institutional strategic plans by providing a structured means to strengthen good programs and eliminate weak programs.

Resources are needed to improve student academic and support services. With additional resources reflecting only inflation, the Regent institutions may sustain current operations but will not have resources targeted to improve strategic planning goals, especially with respect to undergraduate education needs. These include classroom improvements, instructional equipment, library resources, experiential learning opportunities, increased student access, and technology.

ANALYSIS & COMPARATIVE DATA

BASE TUITION

A. PROPOSED TUITION AND MANDATORY FEES

Resident Students

The recommendations for resident undergraduate base tuition and fees plus mandatory fees for 2001-02 are as follows:

	2000-01 Base Tuition	2001-02 Proposed Base Tuition	Dollar Increase	2000-01 Total Tuition and Fees*	2001-02 Proposed Total Tuition and Fees*	Dollar Increase
SUI	\$2,906	\$3,116	\$210	\$3,204	\$3,503	\$299
ISU	2,906	3,116	210	3,132	3,442	310
UNI	2,906	3,116	210	3,130	3,440	310

* Dollar costs and increases for students majoring in Business Administration, Engineering, and Pharmacy at SUI and dollar costs for students majoring in Engineering, Computer Science & Management Information Systems at ISU are slightly higher.

Nonresident Students

The recommendations for nonresident undergraduate base tuition and fees plus mandatory fees for 2001-02 are as follows:

	2000-01 Base Tuition	2001-02 Proposed Base Tuition	Dollar Increase	2000-01 Total Tuition and Fees*	2001-02 Proposed Total Tuition and Fees*	Dollar Increase
SUI	\$10,668	\$11,544**	\$876	\$10,966	\$11,931	\$965
ISU	9,748	10,450	702	9,974	10,776	802
UNI	7,870	8,438	568	8,094	8,762	668

* Dollar costs and increases for students majoring in Business Administration, Engineering, and Pharmacy at SUI and dollar costs for students majoring in Engineering, Computer Science & Management Information Systems at ISU are slightly higher.

** Proposed base tuition amount includes the additional 1% proposed by the University of Iowa for nonresident undergraduate students.

B. USE OF TUITION PROCEEDS

The Universities have provided general information regarding the expenditure of the tuition increases. After the Board's September meeting, the Board Office will work with the Universities to provide additional details for discussion at the October Board meeting. The general plans for expenditures are identified by institution as follows.

University of Iowa

Tuition proceeds will be used for:

- Maintaining the student aid percentages;
- Committing earmarked tuition in the specific described manner;
- Applying tuition attributable to enrollment increases to the cost of serving students including adequate course sections, academic counseling services, and other requirements; and
- Funding quality initiatives including the following:
 - Continued modernization of auditoria and classrooms;
 - Next generation science faculty recruitment and start-up;
 - Retention of students;
 - Improved electronic connectivity;
 - Common gathering place furnishings; and
 - Opportunities for women's athletics;

Iowa State University

Tuition proceeds will be used for:

- Increased student financial aid;
- Unavoidable inflationary and other mandatory cost increases not supported with state appropriations;
- Improvements to enhance the university's quality by:
 - Addressing over-enrolled courses including information science and technology disciplines, general education courses offered by the College of Liberal Arts and Sciences, College of Business, and other colleges showing enrollment growth;
 - Campus-wide information technology and electronic library resources through the continued development and implementation of ISU's "Acropolis" initiative to enhance academic information technology and on-going development of resources critical to academic programs.

University of Northern Iowa

Tuition proceeds will be used to:

- Continue the provision of financial aid for students;
- Meet unavoidable cost increases not supported with state appropriations, including insurance, auditing property rental, administrative systems support, building repairs, classroom modernization, equipment replacement, and utilities;
- Improve the quality of education for students, including:
 - Addition of new faculty, including start-up costs and renovation of office or laboratory space, to support selected areas of high student demand and enrollment growth;
 - Study Abroad program;
 - First Year Experience program; and
 - Professional and career development for faculty and staff.

C. STUDENT FINANCIAL AID CONSIDERATIONS

The universities, during recent years, have made significant efforts to increase student financial aid from institutional and private sources. These efforts help to ensure affordability and support access, a key result area in the Board's Strategic Plan.

As noted in the Annual Student Financial Aid Report, presented in general docket memorandum G.D. 5 this month, total student financial aid dollars increased for FY 2000.

Total student financial assistance for FY 2000 from all sources was \$471 million (+4.8%) and encompassed approximately 154,000 awards (-0.3%).

- In FY 2000, over 58,000 awards totaling more than \$110 million were given as grants. Grants provided by institutional funds totaled over \$69 million (40,200 awards). The mean of the grant awards from all sources at the Regent universities increased from \$1,811 to \$1,897 (+4.7%) from FY 1999 to FY 2000.
- Institutional funds at the universities from private sources provided long-term loans of \$1,929,000 for FY 2000.
- Federal student aid policy for federal FY 2000 provides increased support, including a maximum Pell grant award of \$3,300 per academic year. Pell funding for FY 2000 totaled \$19.3 million for more than 10,800 awards.

Institutional employment in the form of graduate, teaching, and research assistants totaled more than \$70 million and included more than 6,100 awards.

The average need-based indebtedness per student at the time of graduation in FY 2000 was \$9,691 at SUI, \$12,965 at ISU, and UNI \$12,101.

D. ECONOMIC INDICATORS

1. Higher Education Price Index

The following table compares forecasted Higher Education Price Index ranges, provided by the Institute for Economic Research, with the Board's tuition increases in recent years:

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
HEPI Projections *	4.2 - 4.8%	2.1 - 3.9%	2.4 - 4.2%	2.0 - 3.3%	2.3 - 3.5%	2.6 - 6.4%
Regent Increases	3.5%	3.9%	3.9%	4.5%**	4.3%***	7.2****

* Forecasted ranges when tuition increase adopted.

** Included 2.5% for inflation and 2.0% for quality.

*** Included 2.3% for inflation and 2.0% for quality.

**** The 2001-02 recommended increase reflects the Board's policy to maintain quality through inflationary adjustments (5.2%) consistent with HEPI projections and improve quality through additional resources (2.0%).

The Institute for Economic Research latest FY 2000 estimate for HEPI is 3.7%. In October 1998, the Board approved a 2.5% rate increase for FY 2000 to reflect expected higher education inflation. Thus, for FY 2000, the inflationary rate used by the Board for the HEPI component of the tuition increase is considerably lower than the HEPI rate now expected for that year.

The HEPI projection, as of June 2000, for FY 2001 was 4.1%. In October 1999, the Board utilized a 2.3% rate to approve its FY 2001 tuition policy. Once again, the inflationary rate used by the Board for the HEPI component of the FY 2001 tuition increase is considerably lower than the HEPI rate now expected for that year.

For FY 2002, the Institute for Economic Research projects a preliminary HEPI rate of 4.5% but proposes the range of 2.6% to 6.4% as indicated above. The Consumer Price Index is projected to be 4.1%.

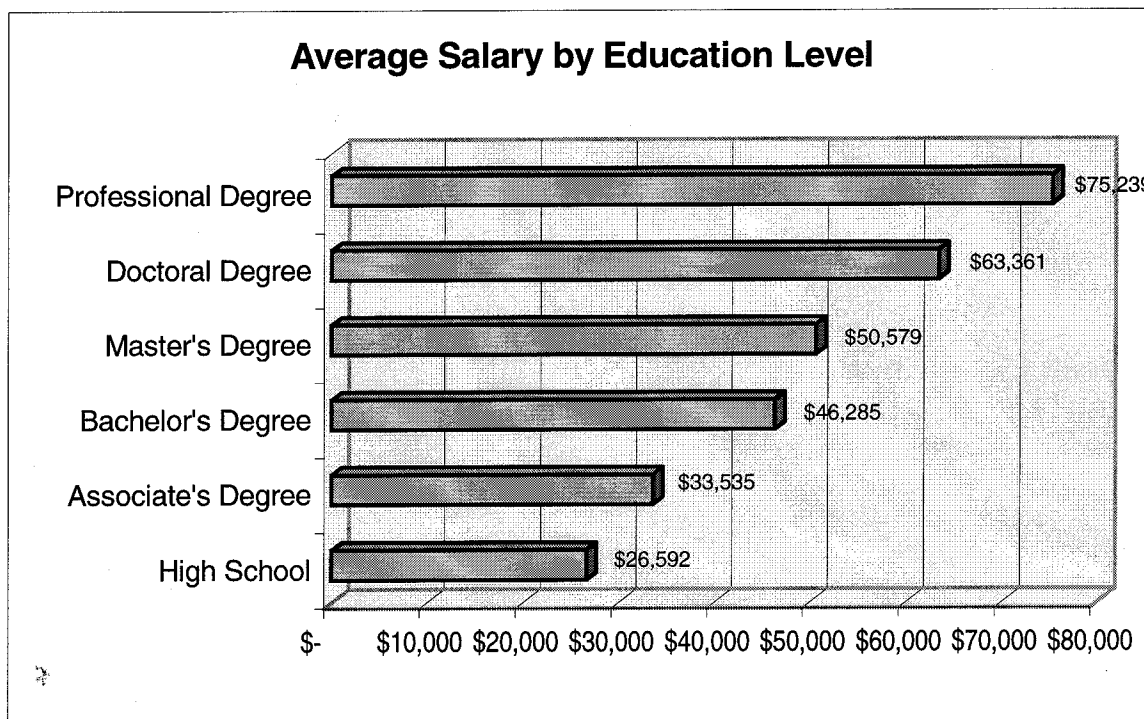
2. Value of a College Education

The value of education can be measured in many ways. Unquestionably, higher education improves quality of life, increases individual opportunities, and provides numerous benefits for the individual student and society.

The National Governor's Association (NGA) Center for Best Practices is examining several aspects of recent economic changes in our country. Clearly, the American economy has changed significantly during the past century. For most of the past 100 years, the vitality of the U.S. economy was determined by the success of its major manufacturing industries – automobiles, steel, oil, and chemicals (old economy).

In the past 20 years, America's business environment has become more global and highly competitive. Information technology, communications, and intellectual capital, rather than energy and raw materials, power today's businesses (new economy). The driving forces of the new economy are ideas, knowledge, services, and high-order skills. To succeed in the new economy, workers must be prepared to enhance their skills and make a commitment to lifelong learning.

Higher education is uniquely positioned to meet the needs of individuals in the new economy. Not only does the individual benefit by developing necessary skills, but he/she also contributes more economically to the state through higher income taxes. This is evident when reviewing the following data from the Census Bureau.



Source: U.S. Bureau of Census, 1998 data.

The following example is provided to demonstrate the value of higher education to an individual and the substantial return on investment. The analysis is simple and therefore does not take into consideration inflation, wage or cost increases, or promotional opportunities.

WAGE/SALARY DIFFERENTIAL

- The difference in average salary between individuals with a high school diploma and a bachelor's degree is an annual increase of \$19,693 (74.1%) for 1998.

COST OF EDUCATION

- The average tuition at a Regent University for this same time period was \$2,867 per year for a four-year cost of tuition totaling \$11,468.

OPPORTUNITY COST

- The opportunity cost of going to college for four years and not earning a salary of \$26,592 during that four-year period would be \$106,368.

PAY BACK PERIOD

- It would take 1.7 years at the average bachelor's degree wage to pay back the average tuition required to achieve the degree.
- It would take an additional 5.4 years to recover the opportunity cost.

ADDED VALUE

- Assuming that the student works until a projected retirement age of 68, he/she will have earned a salary that was at least 74.1% higher for the remaining 38.9 years of his/her working life.
- The remaining 38.9 working years would provide additional value in compensation of at least \$766,058.

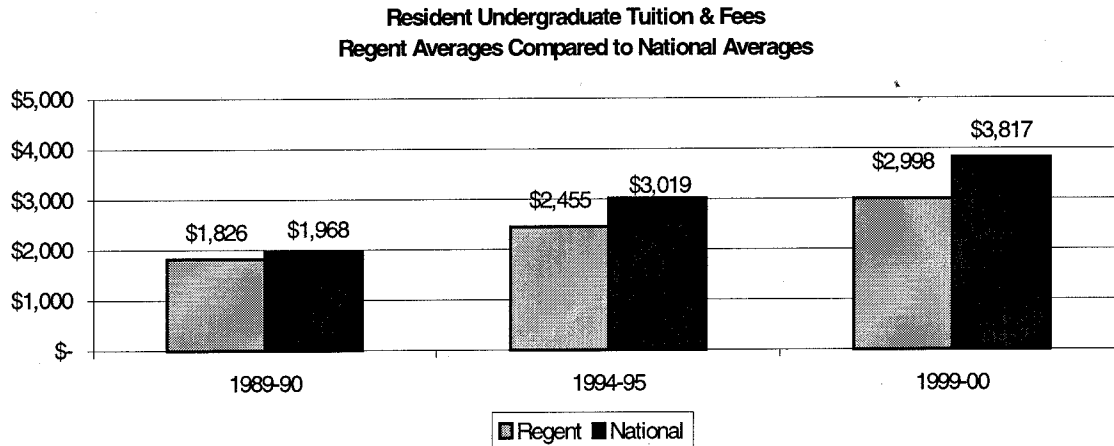
RETURN ON INVESTMENT

- The net added value return on investment for tuition paid to earn a bachelor's degree is about \$66.80 for every tuition dollar spent.
- The return on investment is even more compelling when considering higher levels of education such as master, doctoral, or professional degrees.
- Individuals with each level of higher education would have more disposable income to contribute to the economy.

E. COMPARATIVE TUITION INFORMATION

1. National Comparisons: Averages of Tuition and Fees for Public Universities

The national average resident undergraduate tuition and fees for public universities have grown at a substantially higher rate than the Regent tuition and fees over the last 10 years. The national average tuition increase was 94.0% while the Regent tuition increase was 64.2% for this period.



The Iowa resident undergraduate tuition and fees as a percentage of the national average, as reported in the 1999-2000 annual study by the Washington State Higher Education Coordinating Board (February 2000), have declined since 1989-90. In 1989-90, Regent tuition and fees were 92.8% of the national average, 1994-95 was 81.3%, and 1999-00 was 78.5%. During this ten-year period, the Regent institutions' tuition increases have not kept pace with the nation.

Resident Undergraduate Tuition and Fees Regent Averages Compared to National Averages			
	<u>1989-90</u>	<u>1994-95</u>	<u>1999-00</u>
Regent as % of National Averages	92.8%	81.3%	78.5%

Peer Group Comparisons: Tuition and Fees

Resident undergraduate tuition and fees at the Regent universities are generally well below the median and average tuition and fees of their established peer university comparison groups. The average of 25 Iowa independent colleges and universities tuition and fees is 4.7 times higher than the average of the Regent institutions.

	2000-2001			1 Year		Cumulative 5 Year	
	Resident Under-graduate Tuition & Fees	Regent \$ from Median/Average	Regent Tuition As % of Median/Average	\$ Increase 99-00 to 00-01	% Increase 99-00 to 00-01	\$ Increase 95-96 to 00-01	% Increase 95-96 to 00-01
University of Iowa	\$3,204			\$206	6.9%	\$646	20.2%
SUI Peer Group Average *	4,191	\$987	76.4%	197	5.6%	873	20.8%
SUI Peer Group Median *	4,087	883	78.4%	90	4.6%	660	16.1%

Iowa State University	\$3,132			\$128	4.3%	\$558	17.8%
ISU Peer Group Average *	4,012	\$880	78.1%	182	5.2%	871	21.7%
ISU Peer Group Median *	3,972	840	78.9%	86	2.2%	808	20.3%

University of Northern Iowa	\$3,130			\$142	4.5%	\$572	18.3%
UNI Peer Group Average *	3,283	\$153	95.3%	111	3.2%	601	18.3%
UNI Peer Group Median *	3,408	125	91.8%	90	2.9%	721	21.9%

25 Iowa Independent Colleges and Universities Average	\$14,817	\$11,662	21.3%	\$703	5.0%	\$2,454	24.8%
--	----------	----------	-------	-------	------	---------	-------

* Averages and medians exclude Regent institutions.

Average is the arithmetic mean of the peer group tuition and fees.

Median is the number in the middle of the set of peer group tuition and fee amounts, with half the numbers above the median and half the numbers below the median.

There continues to be a gap between the Regent tuition and fees and the median and averages of the respective peer groups:

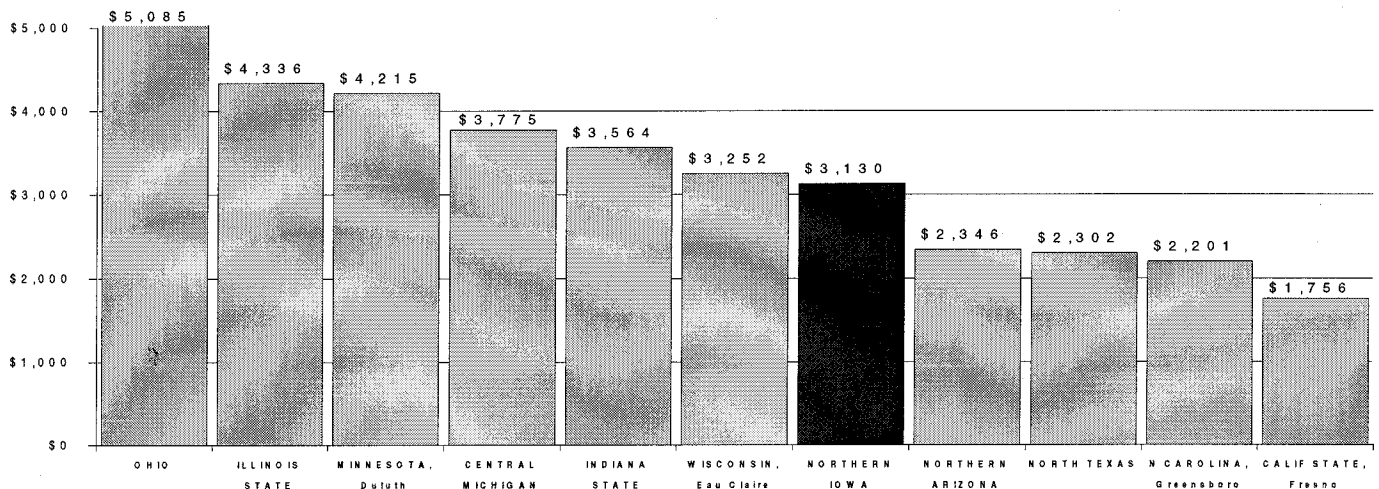
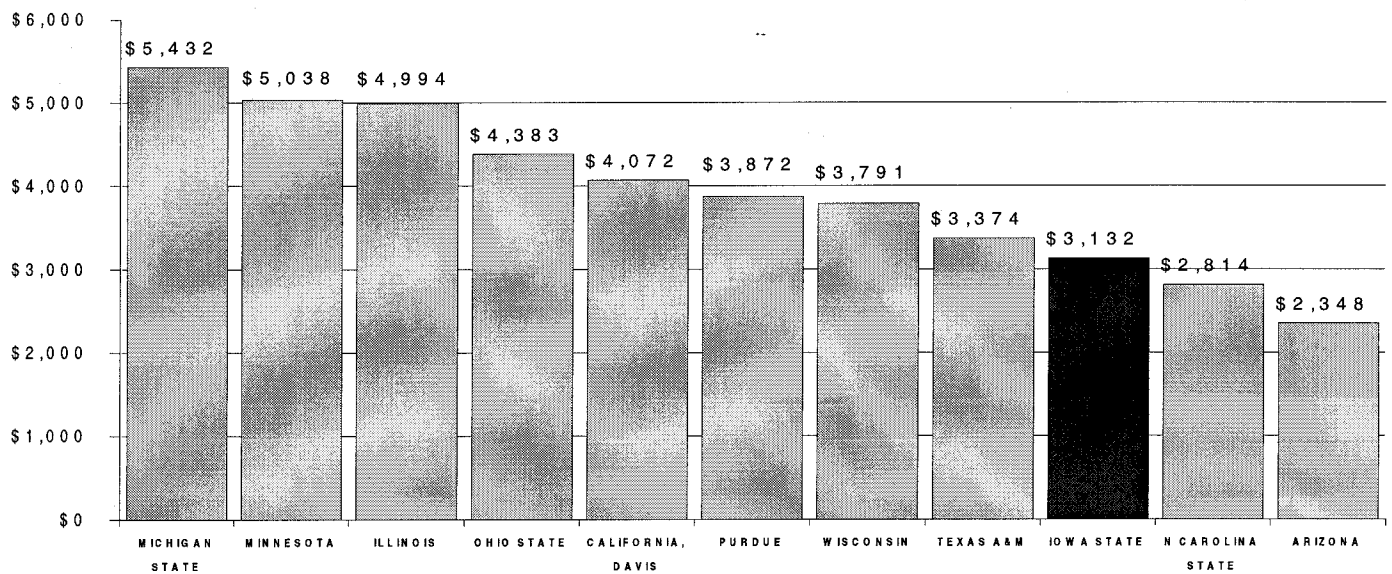
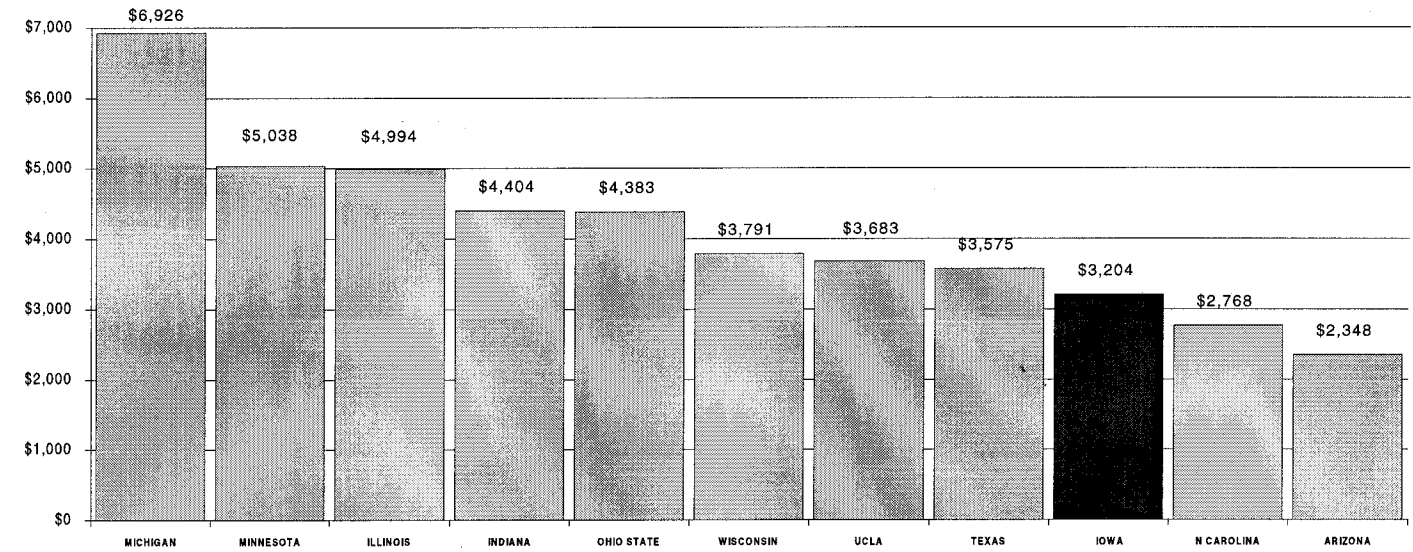
- For 1995-96, the University of Iowa's tuition and fees represented 77.1% of the group average and 74.6% of the group median tuition of its comparable universities. With the redirection of mandatory fees that resulted in additional tuition and fee revenues for 2000-2001, SUI is at 76.4% of the average and 78.4% of the median.

- Iowa State University's percentages of the peer land grant universities group averages and medians have decreased. The ISU tuition for 1995-96 was 82.0% of the average and 81.3% of the median, as compared to the 2000-2001 percentage of 78.1% of the average and 78.9% of the median.
- The UNI percentages also decreased as compared to its peer group. The 1995-96 percentages were 95.4% of the average and 95.2% of the median. The 2000-2001 percentages are 95.3% of average and 91.8% of the median.

As shown in the last column of the table on the previous page, increases in Regent resident undergraduate tuition and fees during the past five years have been less than the increases in the median and average tuition and fees of the peer university comparison groups.

- The one-year dollar increase for the 2000-01 academic year in the University of Iowa tuition and mandatory fees was 104.6% of the average and 228.9% of the median of its peer universities' tuition and mandatory fees. The five-year dollar increase was only 74.0% of the peer group average and 97.9% of the peer group median.
- Iowa State University's one-year dollar increase for the 2000-01 academic year in tuition and mandatory fees was 70.3% of the average and 148.8% of the median of its peer land grant comparison group. The five-year dollar increase was only 64.1% of the peer group average and 69.1% of the median.
- The one-year dollar increase for the 2000-01 academic year in the University of Northern Iowa tuition and mandatory fees was 127.9% of the average and 157.8% of the median of its peer universities' tuition and mandatory fees. The five-year dollar increase was 95.2% of the peer group average and 79.3% of the median.

Peer Group Comparisons of 2000-01 Undergraduate Resident Tuition and Fees



F. ABILITY TO PAY: INCOME COMPARISONS

1. Overall Personal Income Growth

The Institute for Economic Research at the University of Iowa, in consultation with the Iowa Economic Forecasting Council, publishes predictions quarterly relative to various sectors of Iowa's economy.

Part of that publication includes national predictions of the *Blue Chip Economic Indicators*, which uses the consensus of fifty-one national forecasters surveyed on a regular basis.

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
National disposable personal income growth	4.1%	4.0%	3.6%	3.4%	N/A
Iowa personal income growth	3.9%	4.3%	7.7%	6.4%	6.5%

N/A – Projected information not available at this time.

According to the Institute for Economic Research, as published in June 2000, Iowa personal income is predicted to grow 7.7% in 2000 while the *Blue Chip Economic Indicators'* forecast for national disposable personal income growth is 3.6%.

For 2001, the Iowa forecast for personal income is expected to increase by 6.4% while the *Blue Chip Economic Indicators'* forecast for national disposable personal income growth is 3.4%.

The projected Iowa personal income growth rate of 6.5% for 2002 takes into consideration the state's farm income.

2. Per Capita Personal Income Growth

	<u>2000</u>	<u>2001</u>	<u>2002</u>
US Average	N/A	N/A	N/A
Iowa	5.7%*	13.0%*	6.7%*
Regent Tuition Increases	4.5%	4.3%	7.2%**

Sources: US Department of Commerce, Survey of Current Business, June 2000 and
Institute for Economic Research, Iowa Economic Forecast, June 2000.

* Estimates.

** The 2001-02 recommended increase reflects the Board's tuition policy.

Per capita personal income growth projections for Iowa are derived from the forecast information published by the Institute for Economic Research.

The average of the annual forecasted increases in Iowa per capita income over the five-year period is 6.9% while the average of the Regent tuition increases, including the recommended 7.2% increase, would be 4.8%.

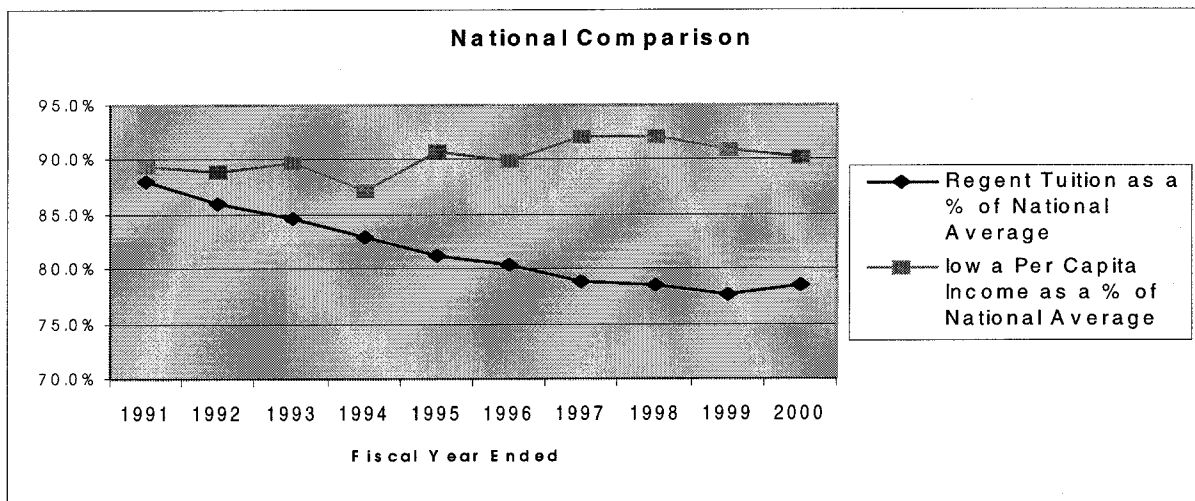
The institutions, through strategic planning, target resources effectively and efficiently and measure results using performance indicators. Iowa's per capita income is rising faster than tuition rates at the Regent universities, which allows for increased purchasing power of higher education for Iowans.

Iowa's per capita personal income of \$25,727 in 1999-2000, as published by the US Department of Commerce, ranked 34th in the nation. Per capita income was 90.2% of the national average of \$28,518. Regent tuition and fees ranked 35th in the nation for 1999-00. Regent tuition and fees were 78.5% of the national average of \$3,817.

Even when considering the proposed increases, Iowans are getting a high quality education for a modest price.

3. Tuition and Fees in Relation to Per Capita Income

The following chart shows the Regent tuition as a percent of the national average compared to the Iowa per capita income as a percent of the national average.



While the Iowa per capita income has remained fairly stable at approximately 90% of the national average over the past ten years, Regent tuition has slipped significantly during this same time period. For the 1990-91 academic year, Regent tuition was 88.1% of the national average as compared to 78.5% in 1999-2000.

The table below lists the ten states represented in the Regent universities peer comparison groups, along with other states contiguous to Iowa and shows the average public university resident undergraduate tuition and fees charged in each state as a percentage of each state's per capita personal income.

Tuition and Fees as a Percentage of Per Capita Personal Income										
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
IOWA	11.4%	11.6%	11.8%	12.4%	12.0%	12.1%	11.6%	11.6%	11.6%	11.7%
Arizona	9.5%	9.1%	8.8%	9.8%	9.6%	9.5%	9.3%	9.0%	8.9%	8.9%
California	9.7%	12.2%	14.3%	17.3%	18.5%	17.8%	17.0%	16.3%	14.8%	13.6%
Illinois	14.8%	14.9%	15.2%	15.0%	15.1%	15.5%	15.5%	15.5%	15.4%	15.3%
Indiana	13.2%	13.8%	13.9%	14.2%	15.9%	16.4%	16.6%	16.4%	16.2%	16.1%
Michigan	20.2%	20.9%	22.6%	23.9%	23.9%	23.1%	23.4%	22.8%	22.7%	22.1%
Minnesota	14.5%	14.3%	15.3%	15.7%	15.4%	16.9%	17.0%	16.2%	15.7%	15.2%
Missouri	11.9%	13.6%	14.3%	15.3%	16.0%	17.1%	17.8%	17.6%	17.7%	17.5%
Nebraska	11.0%	10.9%	10.8%	11.3%	11.4%	11.5%	11.0%	11.4%	11.9%	11.9%
North Carolina	6.5%	6.8%	6.5%	7.1%	7.3%	7.5%	9.2%	9.0%	8.8%	8.8%
Ohio	13.4%	13.4%	13.8%	14.0%	14.0%	14.3%	14.7%	14.6%	14.9%	15.2%
South Dakota	12.0%	11.7%	11.5%	11.7%	12.7%	13.4%	12.5%	12.6%	12.7%	12.9%
Texas	6.0%	7.0%	7.4%	7.5%	8.3%	11.1%	14.1%	13.7%	15.2%	14.9%
Wisconsin	12.1%	11.7%	11.8%	12.3%	12.6%	12.8%	12.9%	13.0%	13.0%	13.6%
Average of above	11.9%	12.3%	12.8%	13.5%	13.9%	14.4%	14.7%	14.5%	14.5%	14.3%
NATIONAL										
AVERAGE	11.6%	12.0%	12.5%	13.1%	13.4%	13.5%	13.6%	13.6%	13.6%	13.4%

Sources: Washington State Higher Education Coordinating Board, State Tuition and Fee Rates, February 2000 and US Department of Commerce, Survey of Current Business, June 2000.

Regent tuition and fees as a percentage of Iowa per capita personal income are less than the percentages of most of its peer group states, other Midwestern states, and the nation as a whole. The average increase of the peer states and Midwestern states for 1999 is 14.3%.

HIGHER EDUCATION COSTS

1. Unit Cost of Instruction Comparisons

On a biennial basis, the Regent universities compile information regarding the cost of instruction per student ("unit cost"). The most recent unit cost study covered FY 1999 and was presented to the Board in June 2000.

Unit cost represents the general fund supported cost of instruction of a full-time equivalent student at a given level and is calculated making certain assumptions relative to attribution of instruction costs to the various student levels (i.e., lower division undergraduates, upper division undergraduates, graduate, professional).

Costs such as building repairs, public service, scholarships and fellowships, auxiliary enterprises, health care units, indirect cost recovery, and capitals have been excluded from the unit cost calculations. The FY 2001 unit cost estimates are based on FY 1999 unit cost data adjusted for general fund budgets increases and enrollment changes. It has been Board policy that nonresident students pay, at a minimum, the full cost of their education at Regent universities.

The following tables compare Regent resident and nonresident undergraduate tuition and mandatory fees, estimated unit costs of instruction for FY 2001, and actual unit costs from the biennial reports covering FY 1999 and FY 1997.

University of Iowa	FY 1997	FY 1999	FY 2001
Resident Undergraduate Tuition & Fees	\$2,646	\$2,868	\$3,204
% Increase	8.4%	8.4%	11.7%
Nonresident Undergraduate Tuition & Fees	\$9,244	\$9,990	\$10,966
% Increase	11.2%	8.1%	9.8%
Undergraduate Unit Costs	\$7,199	\$8,301	\$8,863*
% Increase	5.1%	15.3%	6.8%*
University Composite Unit Costs	\$11,764	\$12,623	\$13,840*
% Increase	8.6%	7.3%	9.6%*
Iowa State University	FY 1997	FY 1999	FY 2001
Resident Undergraduate Tuition & Fees	\$2,666	\$2,874	\$3,132
% Increase	7.9%	7.8%	9.0%
Nonresident Undergraduate Tuition & Fees	\$8,480	\$9,152	\$9,974
% Increase	15.7%	7.9%	9.0%
Undergraduate Unit Costs	\$7,626	\$8,242	\$8,815*
% Increase	8.2%	8.1%	7.0%*
University Composite Unit Costs	\$8,936	\$9,677	\$10,564*
% Increase	8.8%	8.3%	9.2%*
University of Northern Iowa	FY 1997	FY 1999	FY 2001
Resident Undergraduate Tuition & Fees	\$2,650	\$2,860	\$3,130
% Increase	7.9%	7.9%	9.4%
Nonresident Undergraduate Tuition & Fees	\$6,868	\$7,415	\$8,094
% Increase	9.7%	8.0%	9.2%
Undergraduate Unit Costs	\$7,045	\$7,742	\$8,785*
% Increase	7.9%	9.9%	13.5%*
University Composite Unit Costs	\$7,566	\$8,292	\$9,039*
% Increase	7.9%	9.6%	9.0%*

* Projected.

2. General University Expense Comparisons

Since FY 1997, base tuition rate increases have averaged 4.0%. General University cost increases have averaged 5.1%. From FY 1997 through FY 2001, base tuition rate increases have been significantly less than the increase in the general university expenditures:

Rates of Growth in General University Expenses Compared to Increases in Base Tuition Rates

	<u>University of Iowa</u>	<u>Iowa State University</u>	<u>University of Northern Iowa</u>	<u>Regent Universities</u>	<u>Base Tuition Increase</u>
1996-97	5.0%	4.4%	5.2%	4.8%	3.5%
1997-98	5.5%	5.3%	4.2%	5.2%	3.9%
1998-99	5.7%	4.3%	5.2%	5.1%	3.9%
1999-00*	6.0%	5.5%	6.8%	6.0%	4.5%
2000-01*	4.2%	5.5%	3.2%	4.5%	4.3%
Average	5.3%	5.0%	4.9%	5.1%	4.0%

* Budgeted. Beginning in FY 2000, Public Health is included in SUI figures and Plant Science is included in ISU figures.

In 2000-2001, the percentage of general university expenditures met through tuition income is expected to increase at all three universities and overall:

Percentage of General University Expenses Met Through Tuition Income

	<u>University of Iowa</u>	<u>Iowa State University</u>	<u>University of Northern Iowa</u>	<u>Regent Combined Total</u>
1996-97	30.3%	31.4%	27.3%	30.2%
1997-98	30.1%	31.2%	27.7%	30.1%
1998-99	29.8%	31.0%	27.6%	29.9%
1999-00	29.8%	31.2%	27.4%	30.0%
2000-01*	30.3%	32.4%	28.0%	30.7%

* Budgeted.

General university revenues are comprised of state appropriations, tuition, federal support, interest, indirect cost reimbursements, sales and services receipts, and other revenues. These revenues are unrestricted and provide funding for the general education of students.

As indicated in the above table, the percent of tuition revenue to total general university revenue decreased slightly from 1997 to 1999. Since 1999, however, the percent has increased. Using the budget for 2000-01, the percent of tuition revenue to total general university revenue reaches its highest percentage level (30.7%) seen since 1970.